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UNDP

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**APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF THE GOVERNMENT OF COLOMBIA**

**Assistance to CARBOCOL for El Cerrejon Block B Coal Project (COL/78/006)**

**Report of the Administrator***

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| **Date of present approval:** | **March 1979** |
| **Starting date of project activities:** | **June 1979 (Planned)** |
| **Planned completion date:** | **May 1981** |
| **To be executed by:** | **International Bank for Reconstruction and Development (World Bank)** |
| **Government Implementing Agency:** | **Carbones de Colombia, S. A. CARBOCOL** |
| **Estimated cost of assistance planned under present approval:** | **$ 1 500 000** |
| **Source of UNDP financing:** | **Indicative Planning Figure (IPF)** |

## I. Background

1. The Colombian Government is actively pursuing a policy of diversification of national exports and of exploitation of alternative energy sources and aims at implementing an action programme which will contribute to the economic and social development of the Department of Guajira in the Northern part of the country on the boundary with Venezuela.

2. Although Colombia has the largest known coal reserves in Latin America, they are still relatively underdeveloped, due to the fact that domestic demand has not increased greatly because of cheap prices of other sources of energy and export demand has been small. As a result production has been limited to 3-4 million tons per year despite many deposits of high quality coking and thermal coal.

* In accordance with General Assembly resolution 2688 (XXV) and subsequent authorizations of the UNDP Governing Council, reports are issued seriatim on the approval of UNDP assistance of $250 000 or more (including, if any, assistance financed by Government or by third-party cost-sharing).

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3. In December 1976, the national coal corporation CARBOCOL signed a contract with INTERCOR a subsidiary of EXXON Corporation, for coal development and export, covering an area of about 39,000 hectares known as "Block B" of the Cerrejón deposit. The contract establishes a joint-venture with 50 per cent ownership of the coal and control by each party.

4. The primary justification for the UNDP assistance is to enable CARBOCOL to carry out its contractual obligations by responding effectively in the dialogue with INTERCOR on matters of crucial importance for the project. Additionally, the project will provide CARBOCOL with an independent, profesional capability for project review, analysis and control that will be needed to obtain financial support for the investment required on the Colombian side of the venture (50 per cent of the total investment) towards which the World Bank is considering contributing a sizable portion, once the feasibility of the exploitation of "Block B" has been determined which is expected to be by the end of 1980 at the latest.

## II. Objectives and activities

5. The immediate objective of the project is to strengthen the operational and negotiating capacity of CARBOCOL to enable the institution to take the necessary steps for the planning, implementation and control of a large-scale coal mining programme in the El Cerrejón Block B area which, in addition to the coal mine will comprise a port, a railroad and the development of two small towns with related utilities and will demand a total investment which is currently estimated to be in the order of one billion dollars. To this end, the national and international staff working together will: a) review the timing of project operations, subproject reports, and cost estimates; b) carry out overall project analysis; c) advise CARBOCOL; and d) train its staff.

## III. Inputs

6. UNDP will provide, through the Executing Agency, for a consulting firm to cover about 160 man-months of consulting services consisting of four senior specialists (planning and engineering for coal mining, port and railroad development, analysis of financial and commercial aspects of coal mining and transport enterprises) as well as specialists required on an intermittent basis.

7. The Government will provide qualified professional and supporting staff, office space, supplies, transportation and daily subsistance within Colombia directly to the project.

## IV. Financial data

8. The expenditure components of the planned assistance are as follows:

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| Subcontracts | 1 500 000 |

9. The estimated total value expressed in US dollars of inputs provided directly by the Government to the project is $307,300 in kind.

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